

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 INT-08 SCEM-02 SCI-06 OMB-01

SAJ-01 TRSE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

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TO SECSTATE WASHDC 3553

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C O N F I D E N T I A L MOSCOW 13662

COMMERCE FOR BEWT

E.O. 11652: GDS

TAGS: ENRG, UR

SUBJ: CONVERSATION WITH SOVIET OIL INDUSTRY

1. IN CONVERSATION AT RECEPTION OCT 30, OFFICIALS OF
USSR MIN OIL INDUSTRY AND RELATED INSTITUTE ACKNOWLEDGED
TO EMBOFF THAT USSR IS NOT RPT NOT CAPABLE AT PRESENT
TIME OF EXTRACTING AND REFINING SUFFICIENT CRUDE OIL TO
SATISFY DOMESTIC DEMAND, MUCH LESS REQUIREMENTS GENERATED
BY CONTRACTUAL AGREEMENTS WITH CEMA COUNTRIES. NOT ONLY
IS THIS LACK OF SUPPLY FELT IN ENERGY-CONSUMING INDUSTRIES,
THEY STATED, BUT, MORE IMPORTANTLY, IT IS CAUSING
PROBLEMS IN SECTORS WHICH RELY ON OIL AS RAW MATERIAL,
SUCH AS CHEMICAL, PETRO-CHEMICAL, AND PLASTICS INDUSTRIES.
(COMMENT: WHILE USSR HAS BEEN IMPORTING CRUDE OIL FROM
MIDDLE EAST FOR SOME TIME, IT HAS GENERALLY BEEN
BELIEVED THAT PURPOSE OF THIS WAS TO FULFILL
OBLIGATIONS TO CEMA PARTNERS. THIS IS FIRST TIME,
TO EMBASSY'S KNOWLEDGE, THAT RESPONSIBLE OFFICIALS
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HAVE ACKNOWLEDGED BUDDING "ENERGY CRISIS" WITHIN USSR

ITSELF. END COMMENT) WHEN EMBOFF MENTIONED THAT RECENTLY RELEASED THIRD QUARTER PRODUCTION STATISTICS SHOW SHORTFALL IN OIL PRODUCTION GROWTH RATE COMPARED WITH 1973 TARGETS SET BY GOSPLAN CHIEF BAYBAKOV LAST DECEMBER, OFFICIALS EMPHASIZED THAT "OIL MINISTRY WILL COMPLETELY FULFILL 1973 PLAN".

2. AT SAME RECEPTION EMBOFF TALKED WITH G. G. ASTVATSATUROV OF V/O MACHINOIMPORT, WHO IS CHIEF OF SOVIET COMMERCIAL BUREAU AT NEFTA-GAZ EXPO '73. ASTVATSATUROV MENTIONED THAT NEGOTIATIONS ARE PROCEEDING WITH SEVERAL U.S. COMPANIES--NOTABLY UNION OIL PRODUCTS--FOR SUPPLYING LARGE OIL REFINING COMPLEX (WORTH DOLS 150 MILLION) TO USSR. IN ADDITION, HE STATED THAT TALKS WILL SOON BE STARTING WITH FOREIGN COMPANIES TO SUPPLY EQUIPMENT FOR GAS PROJECT AT UNDISCLOSED LOCATION IN YAKUTIA. (ASTVATSATUROV STRESSED THAT THIS NEW YAKUTIAL PROPOSAL IS COMPLETELY INDEPENDENT OF AND UNRELATED TO PROJECT TO BE UNDERTAKEN BY OCCIDENTAL PETROLEUM CORP. AND ASSOCAATES.) PROGRAM ENVISAGES SUPPLY OF EQUIPMENT FOR ENTIRE PROJECT, FROM EXPLORATION GEAR AND INSTRUMENTATION TO DRILLING APPARATUS (PIPES, PUMPS, MOTORS, ETC). (COMMENT: EMBASSY HAD PREVIOUSLY BEEN AWARE OF SOVIET INTEREST IN LARGE OIL-REFINING FACILITY BUT THIS IS FIRST WE HAVE HEARD ABOUT NEW YAKUTIA GAS PROJECT. CONCERNING LATTER, ASTVATSATUROV STATED THAT SOVIET ORGANIZATIONS FOR FIRST TIME HAD BROUGHT SUBJECT UP WITH SEVERAL COMPANIES PARTICIPATING IN NEFTA-GAZ. IT IS POSSIBLE THAT DEP FOREIGN TRADE MIN OSIPOV, CURRENTLY IN U.S., ALSO HAS THESE PROJECTS ON HIS MIND-AS WELL AS THE NORTH STAR AND YAKUTSK/OCCIDENTAL DEALS-IN HIS TALKS WITH AMERICAN FIRMS. END COMMENT)

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